

EXECUTIVE SECRETARIAT
ROUTING SLIP

TO:		ACTION	INFO	DATE	INITIAL
1	DCI		X		
2	DDCI		X		
3	EXDIR				
4	D/ICS				
5	DDI		X		
6	DDA				
7	DDO				
8	DDS&T				
9	Chm/NIC				
10	GC				
11	IG				
12	Compt				
13	D/OLL	X			
14	D/PAO				
15	D/PERS				
16	VC/NIC				
17	NIO/ECON		X		
18	D/OGI/DI		X		
19	ER				
20					
21					
22					
		SUSPENSE 16 Sept 86			
		Date			

Remarks

To 13: Please have appropriate response prepared.

Executive Secretary

29 Aug 86

Date

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SELECT COMMITTEE ON INTELLIGENCE
WASHINGTON, DC 20510

Executive Registry
82- 3848X

August 20, 1986

The Honorable William Casey
Director of Central Intelligence
Central Intelligence Agency
Washington, D.C. 20505

Dear Mr. Casey:

In corporate financial parlance, a "turnaround" company is a loser that new management takes over and, usually with a large recapitalization to meet transitional cash flow constraints, turns into a success. Our foreign assistance apparatus seems to have eight to nine of these "turnaround" countries in Africa, a couple in Central America, and a couple in South Asia, most triggered by leadership changes over the last year. I am concerned that Gramm-Rudman budget constraints may interdict policy reforms in progress where the LDCs need U.S. transitional support.

To help the Committee understand whether, and where, this may be a problem, and how we might remedy it, can you:

1. Tell us which LDCs that receive U.S. aid have begun actually to implement policy reforms over the last year?
2. Describe, for each LDC, the political risks assumed by key government decision-makers in making reforms, describing separately the risk arising from each kind of reform (pricing decontrols, parastatal abolition, elimination of import licensing, et al). Which constituencies have had their interests harmed by major reforms, and what problems does each constituency pose for LDC leaders at risk?
3. Tell us, for each LDC, if the process of economic reform has led them also to re-examine political ties to the Bloc? Have some begun to move politically and/or militarily away from the Soviets, in tandem with economic reforms? Have we further political opportunities in reforming countries, and do we lose them if the process of economic reform is interdicted?

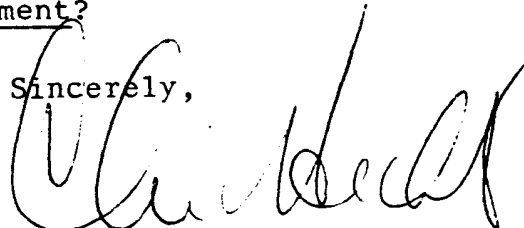
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In LDCs, where such political turnaround opportunities exist, can you identify key potential military asset losses to the Soviets (landing rights, port facilities) and/or potential gains to us?

4. Describe, for each LDC, to what extent economic reform is proceeding in reliance on U.S. Government support? In which cases is LDC reliance based on specific U.S. Government promises (economic or military assistance or both)? Can you, for each LDC, predict the probable consequences of Gramm-Rudman shortfalls as against the LDC leadership's expectations of U.S. Government FY '87 support?
5. Sum up, for the whole class of LDCs which (a) are serious about putting policy reforms in place, and (b) are already moving away from the Soviets in tandem with economic reforms, or show clear promise for moving away in FY '87, can you comment on what national security consequences for the U.S. Government will follow if there are Gramm-Rudman support shortfalls in comparison with LDC policy reformers' expectations?
 - a. What indigenous political constituencies may key LDC policy reformers lose? What consequences to the U.S. Government follow from their anticipated political losses?
 - b. In particular, where we have opportunities to wean LDCs from the Soviets, what potential national security/political opportunities may the U.S. Government lose if economic policy reforms are interdicted and LDC leadership political losses follow?
 - c. What level of incremental economic and military assistance (in comparison to country aid levels which would follow from the House aggregate assistance levels) would--just in these particular LDCs in which we stand to lose a political turnaround opportunity--suffice to avert those LDC leadership losses, and to restore those opportunities to the U.S. Government?

Sincerely,



Chic Hecht

CH: gm